

NEWS

United States Department of Justice
U.S. Attorney, District of New Jersey
970 Broad Street, Seventh Floor
Newark, New Jersey 07102



Christopher J. Christie, U.S. Attorney

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Assistant U.S. Attorney:
ROBERT KIRSCH
973-645-2846

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FOR IMMEDIATE RELEASE
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Two Former Executives of New Jersey Info Technology Company Admit Defrauding Private Investors of More Than \$5 Million

(More)

Public Affairs Office
Michael Drewniak, PAO

973-645-2888

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NEWARK – Two former top executives of a information technology company pleaded guilty today to their roles in a conspiracy to defraud dozens of private investors in the company of approximately \$5.3 million, U.S. Attorney Christopher J. Christie announced.

Kevin Holt, 53, of Cranford, the former chief executive officer and chairman of the board of InsPara Networking Technologies, and Robert Henches, 61, of Montville, the former chief operating officer and director, each pleaded guilty to separate one-count Informations charging them with conspiracy to commit mail and wire fraud before U.S. District Judge Peter G. Sheridan. The charge of conspiracy carries a maximum prison sentence of five years and a \$250,00 fine.

InsPara was based in Cranford, and in late 2005 was acquired by a publicly traded company, SoftNet Technology Corp. InsPara was a business information technologies firm which solicited private investors from mid-2003 through March 2005. The private company also had seven affiliate offices in the United States, as well as a location in London, England, according the Information filed by the government.

The Information charges that Holt and Henches, along with an unnamed co-conspirator, who served as InsPara's vice president of finance and also as a company director, falsified and inflated company financial data and deliberately misled investors regarding substantial sales commissions which were depleting their investments in the company.

According to the Information, the vice president, who lived in Wilton Manors, Fla., was primarily responsible for contacting and soliciting private investors to buy shares of InsPara stock, ranging from 75 cents to \$2 per-share, with the stated goal of making the company attractive for a public offering or merger, according to the Information. The vice president solicited investors over the phone and via written material through the mail, facsimile and e-mail.

In addition to their salaries, Henches owned more than 3 million shares of InsPara stock, and Holt and the Vice President each owned well more than 2 million shares, according to Robert Kirsch, the Assistant U.S. Attorney who is handling the prosecution. As a result of their individual holdings of millions of shares, each stood to make substantial profits in the event of an initial public offering or merger, Kirsch said.

Both Holt and Henches admitted today that they, along with the vice president of finance, provided actual and potential investors with false and inflated financial data purporting to show that the company was thriving in order to induce investments in the company.

For example, the company represented to investors that it generated revenue in 2004 of approximately \$24 million, with net profits of approximately \$3.7 million. In fact, an accountant determined the company's 2004 revenue to be \$1.2 million, and that InsPara

operated at a net loss that year of approximately \$2.1 million. Henches also admitted creating false and fraudulent accounting records, such as bogus accounts receivables and sales invoices.

In addition, in order to induce investors and conceal their financial improprieties, Holt, Henches and the Vice President caused the company to issue quarterly dividend payments to the investors to dupe them into believing that the company was meeting or exceeding its financial forecasts, the Information stated.

The vice president solicited approximately \$5.3 million from more than 40 investors, of which he obtained more than \$1 million as sales commissions. Holt and Henches admitted that they, and the vice president, deliberately misled and concealed the 20 percent commissions from the investors, and that the vice president directed that these commissions be paid through a series of companies.

Most of the investors resided in the Las Vegas, Nevada area. Others were from New Jersey, New York, Florida, Tennessee, Illinois, Colorado and California.

Judge Sheridan scheduled sentencing for early March. Pending sentencing, each defendant was released on separate personal recognizance bonds of \$100,000.

In determining the actual sentence, Judge Sheridan will consult the advisory U.S. Sentencing Guidelines, which provide appropriate sentencing ranges that take into account the severity and characteristics of the offense, a defendant's criminal history, if any, and other factors. The judge, however, is not bound by those guidelines in determining a sentence. Parole has been abolished in the federal system and thus defendants who are given custodial terms must serve nearly all the time imposed by the court.

Christie credited Special Agents of the FBI, under the direction of Special Agent in Charge Leslie G. Wiser, Jr. in Newark; and U.S. Postal Inspectors, under the direction of Postal Inspector in Charge Thomas D. Van de Merlen, for the successful investigation to date.

The government is represented by Assistant U.S. Attorney Kirsch, of the Securities and Healthcare Fraud Unit, in Newark.

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Defense Counsel:

For Defendant Holt: Peter Bennett, Esq., Middletown.

For Defendant Henches: Louis Esposito, Esq., Cedar Grove; and Michael Pedicini, Esq.,

Morristown.